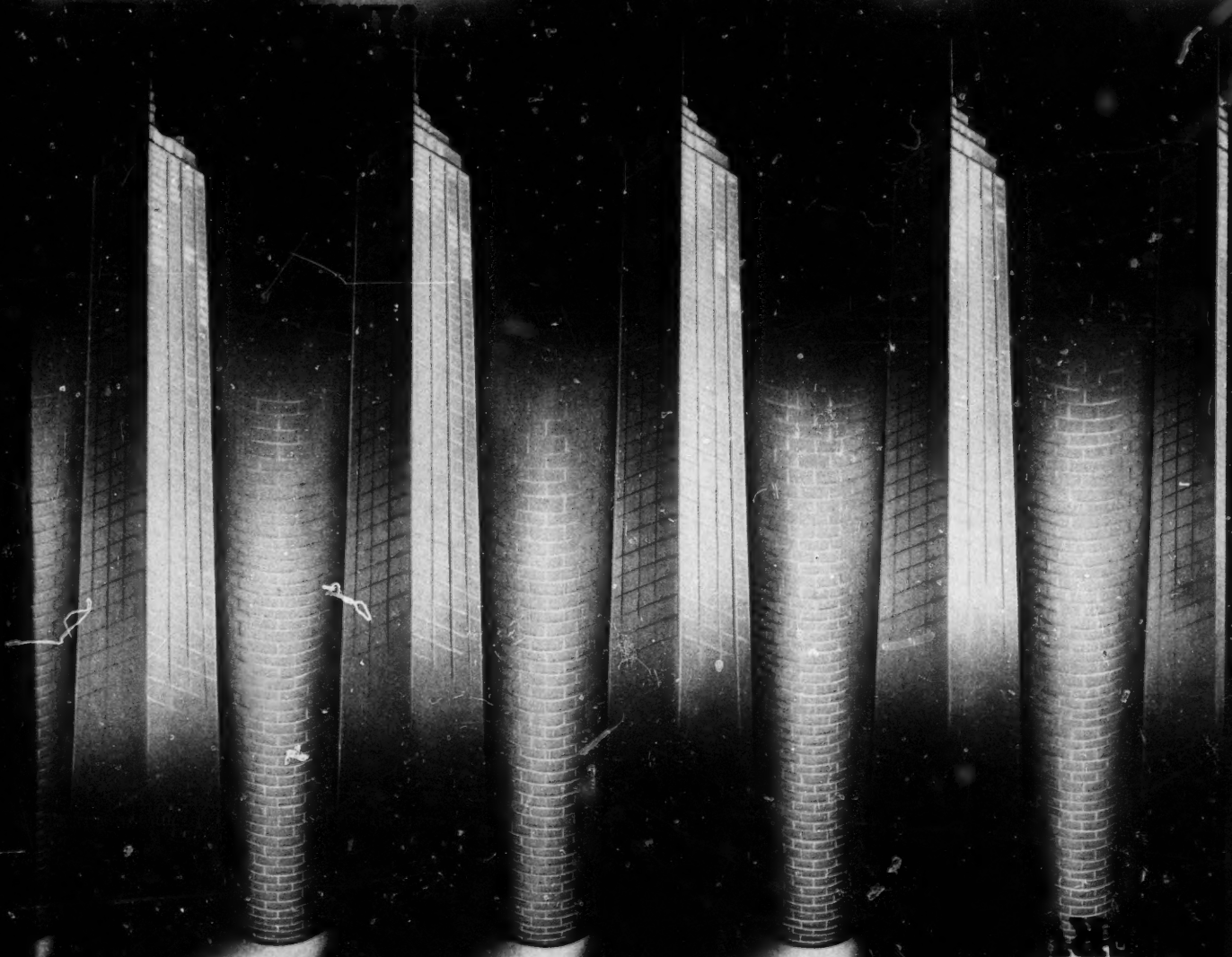
APRIL 11, 1983 THREE DOLLARS

C3950-1 4/1/83

Forbes

WHAT

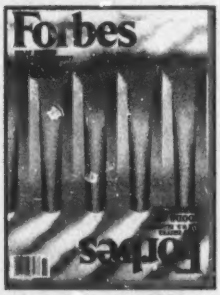


DRIVES
U.S. ECO
OODS

Forbes

T25114J0 SAMPLE 22NWR
EDWARD KRIANKA ARON
CONGRELL INFO NAT SERV DIR
7101 WISCONSIN AVE
WASHINGTON DC 20014

April 11, 1983
Volume 131,
Number 8



142 "You mean the U.S. has been a service economy all these years and I didn't know it?"

41 Baldwin-United: The net of the uncertainties.

51 A story that should send chills through the hearts of executives.

39 Steel:
Behind The Rah-Rah At Weirton
Should the taxpayers help employees acquire West Virginia's largest employer?

41 Companies:
Baldwin-United
Is the old piano company turned financial services conglomerate in a cash bind?

42 Energy:
Leaded Gas Stages A Comeback
This may be the EPA's next hot potato.

43 Companies:
Tandy
The pioneer of personal computers faces heavy competition.

44 Investments:
The Kids In The Pits
What are all those clean-cut young people doing in a place like this?

46 The Cities:
Yonkers Versus United Technologies
"We've declared war!"

50 The Streetwalker:
Merrill Lynch In The China Shop
The thundering herd gets a little too aggressive. Also: Overseas Shipholding; oil service stocks; Superior Oil; Sir Jimmy Goldsmith.

51 On The Docket:
Software Nightmare; Patent Absurdities
Computers create a quagmire; why patents are worthless for many small companies.

54 Companies:
American Motors
One swallow doesn't make a summer.

59 Companies:
M/A-Com, Inc.
After the fall, more of the same.

62 Companies:
Washington Federal S&L
Not a bad business, if you do it right.

66 Companies:
Pep Boys
The "heirs" of Manny, Moe & Jack.

68 Companies:
Lomas & Nettleton Financial Corp.
How to make mortgages and sleep soundly.

70 Companies:
Universal Leaf Tobacco Co.
Gordon Crenshaw may be the calmest executive in the business. And for good reason.

93 The Up & Comers:
Thousand Trails
"The goddamn chairman is fouling it up," said Milt Kuolt. So he gave up the chairman's job. Also: Toll Brothers; General Housewares; RG Dynamics Inc.

108 The Numbers Game:
Once And Future Income
On utility books, business is good already.

110 Companies:
National Service Industries
Its secret weapon is no secret at all.

115 Defense Spending:
The F/A-18 Flap
The wrong reasons, the right plane.

120 Taxing Matters:
Hard Questions About Software
Is the IRS discouraging innovation?

124 Companies:
Tracor
It has both glitter and substance. But substance pays better.

128 Special Report:
1983 Annual Banking Survey
Performance and outlook for the nation's 100 largest bank holding companies, 50 largest trust operations and 25 biggest S&Ls.

142 Cover Story:
The Myth Of "Reindustrialization"
It's a little late to be discussing the consequences of the U.S.' becoming a service economy. It has been one for 40 years.

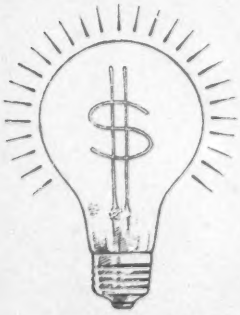
149 Utopias:
They Have Seen The Future
Yesterday's visions of tomorrow.

155 Technology:
The Killer Bees Live
The U.S. honey industry is anything but the bee's knees these days. Also: the sleep disease; genetic screening; MSA.

166 Companies:
Harte-Hanks Communications, Inc.
Not Texas swashbucklers, but tough competitors in a changing industry.

70 *For a fellow who doesn't know what he is doing, he gets along okay.*

96 *"We are merchandisers. When the other guy doesn't sell it, we can."*



108 *The Numbers Game: Nice-guy accounting that is really not that nice.*

200 *Sequoia Fund: "There are limits to what you can do with a lot of money."*

170 Natural Gas:
Diplomacy Proposes, Market Disposes
Russia's diminishing prospects for getting convertible currency from her natural gas.

172 Personal Affairs:
Walking: The Newest Health Craze
Recreational walking is as old as Socrates, but it's undergoing a vogue. Also: consumer interest rates; Crown loans and Clifford trusts; Oklahoma City's Skirvin Plaza Hotel.

Faces Behind The Figures

180 Alex Brainard,
Consolidated Cigar
180 Harry Helmsley,
Helmsley-Spear
181 Ulf Lantzke,
International Energy Agency
182 Keith Wickenden,
Airship Industries
182 Michael Garin and Michael Solomon,
Telepictures Corp.
184 Paul Bergmoser,
Statue of Liberty campaign

190 Statistical Spotlight:
How Long, O Lord?
Oil stocks have been slipping out of favor for nearly three years. Any signs of a turnaround?

194 Companies:
Rosenberg Real Estate Equity Funds
These days you would think that bricks and mortar would be very much out of favor. So why does RREEF feel so bullish about the future of real estate?

196 Investments:
Doesn't Anyone Remember Fred Carr?
Here comes yet another new fund for investing in hot little stocks.

198 Companies:
Convergent Technologies
A clear and simple concept, with a salesman's drive behind it.

200 The Funds:
Sequoia Turns Off The Tap
Why did William Ruane and Richard Cunniff close their fund to new investors?

Money And Investments

33
What's Ahead For Business
34
The Forbes Index
187
The Forbes/ Wilshire 5000 Review

Columnists

205
Ben Weberman
206
Ashby Bladen
208
Stanley W. Angrist
210
Srully Blotnick
212
Thomas P. Murphy
214
Stephen E. Roulac

Departments

6
Side Lines
8
Trends
16
Follow-Through
20
Readers Say
25
Fact and Comment
28
Other Comments
31
Fact and Comment II
218
Editorial Index
219
Flashbacks
220
Thoughts

Photos:
8, 46, Joyce Ravid; 12, 150, Bettmann Archive; 26, Eeva-Inkeri; 39, Harry Schaefer/Black Star; 41, Tom Hubbard/Black Star; 43, 70, 181, Eric Poggenpohl; 45, Peter Tenzer; 50, Wide World Photos; 62, 93, 180 bottom, Doug Wilson/Black Star; 66, 100, Joe McNally/Camera 5; 69, 166, Shelly Katz; 98, 182 bottom, 196, 202, Fred DeVan; 104, 180 top, Wm. Franklin McMahon; 110, Bill Grimes/Black Star; 115, Herman Kokojan/Black Star; 124 right, Ben Weaver/Camera 5; 149, Lucas Cranach/Granger; 152 clockwise, Culver Pictures, Bettmann Archive, Bettmann Archive, Bettmann Archive; 155, Memory Shop; 164, Chuck Rogers/Black Star; 172, 174, 178, Michael Abramson; 179, Ed Lallo/Black Star; 182 top, Sally Fear; 184, Bill Kelly; 194, Ed Kashi/Liaison; 198, Thomas Lea

Illustrations and Charts:
50, Jeff Danziger; 51, 108, Chas. B. Slackman; 156, B. Conrad

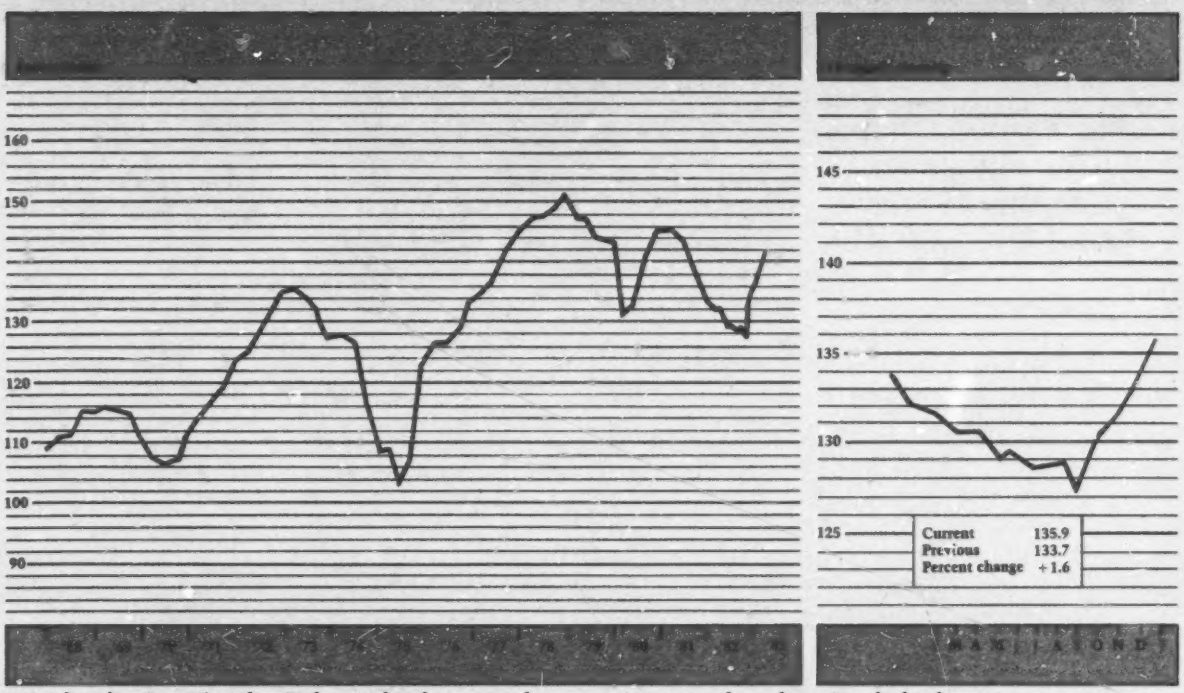
Cover Illustration: Kinuko Y. Craft

Forbes (ISSN 0015 6914) is published biweekly by Forbes Inc., 60 Fifth Ave., New York, N.Y. 10011. Second-class postage paid at New York, N.Y. and at additional mailing offices. Subscription $36 a year, U.S.A. Postmaster: Send address changes to Forbes, 60 Fifth Ave., New York, N.Y. 10011.

Copyright © 1983 Forbes Inc. Title is protected through a trademark registration in the U.S. Patent Office.

Forbes does not supply back issues or copies of individual articles nor can it provide information on the contents of earlier issues. Photocopies may be ordered from University Microfilms International, 300 N. Zeeb Road, Ann Arbor, Mich. 48106. Information on the contents of issues can be found in *Readers' Guide to Periodical Literature* or *Business Periodicals Index*, both published by the H.W. Wilson Co. and found in most libraries.

The Forbes Index



Catching its breath. The Forbes Index has posted another gain, for the sixth time in a row. Although the 1.6% rise almost certainly means that a recovery is in the offing or has already begun, the momentum is slowing. This indicates that the easy progress has already been made.

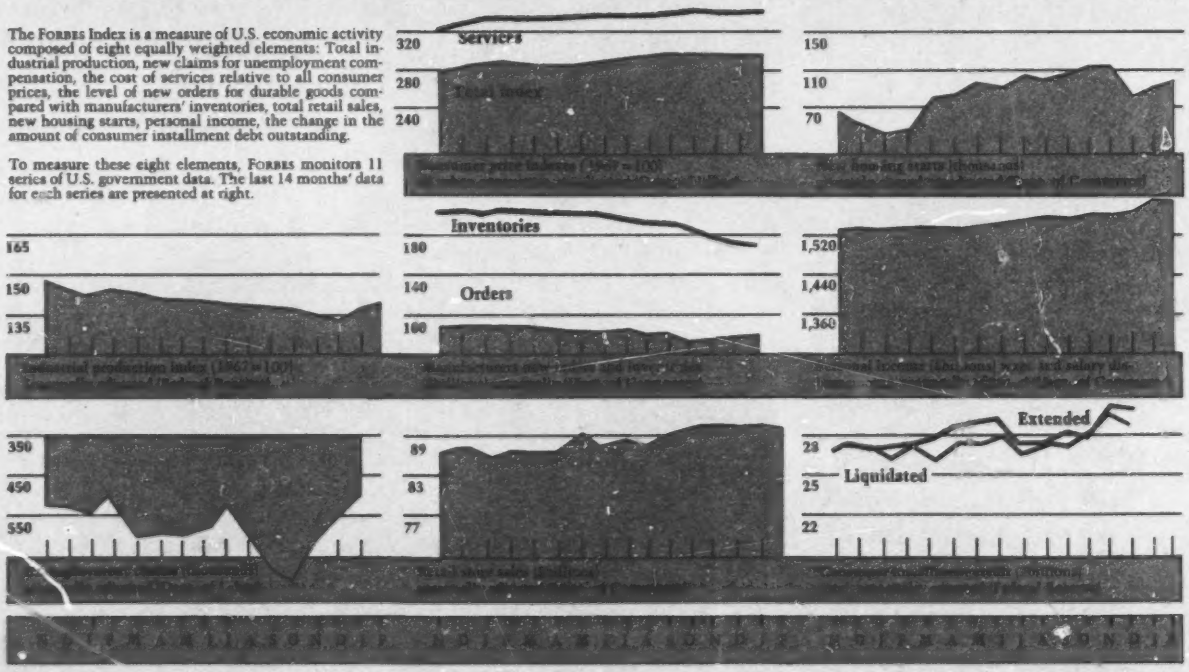
Industrial production, for example, increased by 0.3% during the latest reporting period, compared with a 1.3% gain a month earlier. Similarly, housing starts were up 3.3% following an 11.3% jump in January. This is good news, even though cold weather construction statistics can be misleading.

Consumers are not spending as they did earlier. That's because personal income fell 0.1% after rising 1.0% during the first month of the year. As a result, retail store sales dropped 0.4% from the January level.

The Forbes Index Components

The FORBES Index is a measure of U.S. economic activity composed of eight equally weighted elements: Total industrial production, new claims for unemployment compensation, the cost of services relative to all consumer prices, the level of new orders for durable goods compared with manufacturers' inventories, total retail sales, new housing starts, personal income, the change in the amount of consumer installment debt outstanding.

To measure these eight elements, FORBES monitors 11 series of U.S. government data. The last 14 months' data for each series are presented at right.



While the Cassandras wail of defaults and bankruptcies, bank stocks dance to a merry tune. What's going on here?

Nearer, my God, to Thee?

By Ben Weberman and Robert McGough

IT REMINDS US of those grim jokes about rearranging the deck chairs on the *Titanic*. At a time when a good many people think the banks will never again see billions of dollars that they so airily lent to foreign countries, the bankers, nothing if not resourceful, have figured a way to reshuffle the doubtful loans in such a manner as to help ensure the banks a banner year for 1983.

How can that be? It's really very simple. Manufacturers Hanover (assets: $64 billion) shows how this works. Manny Hanny had about $1.7 billion at risk in Mexico, but since the Mexicans couldn't pay the short-term loans, the bank, like its colleague banks, agreed to "convert" about half the Mexican paper into much longer paper (eight years). In return, the Mexicans agreed to increase the interest rate from 0.6% above the London interbank rate to 2.25% over. Of course, Manny Hanny isn't getting cash; it simply tacks the interest on to the existing debt. Never mind: Whether cash or not, the higher interest can be carried right to the bottom line. From Mexico alone Manny Hanny stands to benefit to the tune of $15 million or so this year. Meanwhile, all the banks are benefiting from the well-known stickiness of interest rates on the downside. Almost across the board—in loans to corporate customers and individuals as well—the banks are seeing to it that the interest rates they charge are dropping more slowly than the interest rates they pay for money.

Are the stockholders getting an honest count in all this? It depends on what happens to the world economy and in world politics. Since no one can predict the future, the banks are justified in assuming things will come out right in the end. They usually do.

But what about writeoffs on loans that have clearly gone bad? Oh, there will be plenty of them, but so far, at least, the banks have easily handled them out of accumulated loan-loss reserves. The reserves are established in good earnings years when a few million dollars taken out of profit don't mean much. Fortunately for the banks, they don't have to mark their foreign loans down to anything like true market value. See what we mean about rearranging the deck chairs to divert the passengers from that gaping hole in the hull?

So, now you know why the stocks

A few superlatives

Performance highlights drawn from the tables on the following pages

Biggest-fastest			Smallest-slowest	
Citicorp (NY)	$129,997	Total bank assets[1]—1982	Equimark (Pa)	$3,215
Republic New York (NY)	35.4%	Growth of assets[2] Industry median: 11.7%	First Pennsylvania (Pa)	– 8.5%
State Street Boston (Mass)	59.9%	Growth of earnings per share[2] Industry median: 10.3%	Seafirst (Wash)	P–D
Allied Bancshares (Tex)	25.3%	Four-year return on equity Industry median: 14.5%	First Pennsylvania (Pa)	–12.4%
Trust Co of Georgia (Ga)	7.20%	Net interest margin—1982 Industry median: 4.57%	First Chicago (Ill)	2.23%
JP Morgan (NY)	$39,118	Value of managed trust assets[1]	Marine Midland (NY)	$3,371
California Federal S&L (Cal)	1.85%	S&Ls' spread between earnings assets and cost of funds	Gibraltar Savings (Tex)	–0.85%

[1]Dollar value in millions. [2]Compounded annual rate 1978/82. P–D: Profit to deficit.

1983 Annual Banking Survey

100 largest bank holding companies: a statistical profile

Rank	Total assets	Total deposits	Nonperform assets % total assets	Total loans	Loan loss res a. % of loans	Total invest-ments	Standby letters of credit	Total capital	Long-term debt % capital	Total operating income	Net income[4]	Company and headquarters
	1982 size measures ($millions)											
1	$129,997	$76,538	1.4%	$86,524	0.9%	$4,771	$15,313	$15,381	68.4%	$17,814	$747.0	Citicorp (NY)
2	122,221	94,342	2.1	74,591	0.9	7,149	6,795	6,761	32.3	14,955	388.8	BankAmerica (Cal)
3	80,863	56,858	1.9	55,156	1.1	4,130	5,300	4,611	28.7	10,171	332.5	Chase Manhattan (NY)
4	64,041	43,825	1.5	42,514	0.9[5]	2,527	7,700	4,278	41.8	7,640	296 3	Mfrs Hanover (NY)
5	58,597	37,910	0.9	31,495	1.1[5]	6,112	5,600	3,419	20.7	6,885	441.7	JP Morgan (NY)
6	48,275	27,998	1.7	29,768	1.1	3,802	6,140	2,546	23.6	5,515	269.1	Chemical New York (NY)
7	42,899	28,175	4.5	32,820	1.1	2,065	4,340	2,982	42.7	5,900	84.4	Continental Illinois (Ill)
8	40,884	30,542	2.8	22,893	1.2	4,164	1,600	2,792	35.9	4,608	228.4	First Interstate Bncp (Cal)
9	40,427	24,493	1.4	21,034	1.2[5]	1,755	5,638	1,996	22.1	4,639	228.5	Bankers Trust NY (NY)
10	36,991	25,848	2.2	24,927	1.3[5]	1,920	2,253	2,806	46.9	4,491	234.1	Security Pacific (Cal)
11	35,876	27,419	2.4	21,830	1.0[5]	1,315	3,233	2,178	31.5	4,402	144.0	First Chicago (Ill)
12	24,939	18,195	3.1	16,131	1.0	703	1,909	1,393	15.3	2,894	71.1	Crocker National (Cal)
13	24,814	18,180	2.3	18,838	1.0	604	824	2,482	55.7	3,290	141.8	Wells Fargo (Cal)
14	21,030	14,405	2.1	12,654	1.3	3,230	1,024	1,627	31.5	2,416	222.9	InterFirst (Tex)
15	20,294	12,328	1.7	11,365	1.6[5]	1,407	929	1,561	31.6	2,355	142.7	Mellon National (Pa)
16	20,239	15,057	2.1	12,182	1.2	1 379	1,055	1,489	40.7	2,412	88.4	Marine Midland Banks (NY)
17	19,514	14,153	1.1	9,975	1.4[5]	1,025	1,109	1,127	30.6	2,277	82.6	Irving Bank (NY)
18	18,267	11,674	1.7	10,335	1.2	1,390	1,013	1,295	31.7	2,745	129.1	First Natl Boston (Mass)
19	18,217	13,212	1.0	9,760	1.3	2,350	490	974	10.5	1,798	170.0	Texas Comm Bancshs (Tex)
20	17,585	11,971	1.6	10,674	1.3	2,554	519	2,183	51.8	2,081	114.1	Northwest Bancorp (Minn)
21	17,218	11,942	1.5	9,950	1.3	2,545	688	1,192	25.5	1,934	156.7	RepublicBank (Tex)
22	16,899	11,877	2.2	9,161	1.1	2,656	1,102	1,352	31.9	1,961	115.9	First Bank System (Minn)
23	16,567	13,355	1.8	9,366	1.4[5]	2,374	900	1,014	12.5	1,729	132.9	First City Bancorp (Tex)
24	12,724	8,873	2.1	7,496	0.9	1,022	561	608	16.9	1,523	74.3	Bank of New York (NY)
25	12,407	8,580	1.3	5,684	1.2	1,809	317	871	13.9	1,406	77.4	NBD Bancorp (Mich)
26	11,611	7,401	0.9	5,384	1.5	1,804	566	859	20.1	1,307	115.7	PNC Financial (Pa)
27	11,560	7,922	1.3	5,559	1.4	1,955	237	801	33.8	1,073	77.0	NCNB (NC)
28	10,190	7,332	1.6	6,612	1.5[5]	1,291	672	725	23.9	1,142	103.3	Mercantile Texas (Tex)
29	10,028	8,175	8.0	7,226	2.4	421	285	580	21.1	1,398	–90.2	Seafirst (Wash)
30	9,280	6,770	0.5	2,536	1.6	1,229	84	767	38.9	1,249	75.2	Republic New York (NY)
31	8,325	5,756	3.6	5,551	1.0	375	1,067	465	23.1	1,061	28.9	European American[6] (NY)
32	7,545	5,436	1.3	4,302	1.1	584	405	403	13.6	859	31.0	Union Bank[6,7] (Cal)
33	7,378	5,872	1.1	3,088	1.1	1,299	145	412	6.8	752	42.1	Comerica (Mich)
34	7,274	5,521	1.1	3,573	1.3	930	111	593	27.4	845	48.7	Southeast Banking (Fla)
35	7,183	5,513	1.5	4,211	1.1[5]	1,034	87	411	0.0	807	51.0	Valley National (Ariz)
36	7,137	4,897	1.2	3,988	0.9	488	461	408	6.4	918	40.1	Harris Bankcorp (Ill)
37	6,932	5,759	0.5	3,385	1.4[5]	1,604	50	511	24.1	791	64.6	Barnett Banks of Fla (Fla)
38	6,927	5,770	1.3	3,925	1.2	891	120	503	22.9	773	67.3	Southwest Bancshs (Tex)
39	6,916	4,933	1.1	3,668	1.3	919	95	445	3.1	810	77.7	Wachovia (NC)
40	6,823	4,488	1.3	2,972	1.5	1,425	272	483	18.2	661	46.7	National City (Ohio)
41	6,807	5,219	2.4	4,082	1.1[5]	682	265	386	3.6	818	21.0	Natl Bank N Amer[6,7] (NY)
42	6,647	2,280	1.5[8]	4,669	2.9	306	181[8]	1,205	66.8	886	16.4	Walter E Heller Intl[9] (Ill)
43	6,504	5,544	3.5	4,406[5]	1.1[5]	647	126	438	21.1	789	3.3	Michigan National (Mich)
44	6,301	4,172	1.0	3,154	1.3	571	247	524	24.9	770	60.5	Philadelphia Natl (Pa)
45	6,253	4,369	2.2	3,399	1.0	568	325	368	8.1	826	33.6	Northern Trust (Ill)
46	6,168	3,673	0.8	2,886	1.6	999	56	357	22.0	663	50.0	First Union (NC)
47	6,011	4,971	1.9	3,985	1.9[5]	1,159	143	409	9.8	718	86.7	Allied Bancshares (Tex)
48	6,005	4,286	1.0	3,299	1.4[5]	1,127	40	452	26.7	635	51.5	Citizens & Sthrn Ga (Ga)
49	5,865	4,260	2.2	4,026	1.2	371	155	439	18.1	732	39.2	Rainier Bancorp (Wash)
50	5,822	4,495	2.2	3,062	1.0	1,777	121	352	6.9	661	26.4	BancOhio (Ohio)

[1]Four-year average is a compounded annual rate: 1978/82. [2]From continuing operations after security gains or losses excluding gain on sale of operations and extraordinary items. [3]Net interest income on a tax-equivalent basis as a percent of average earning assets. [4]From continuing operations before security gains or losses excluding gain on sale of operations and extraordinary items.

Growth measures[1]							Profitability & cost measures			Stock data			
Average assets		Equity per share		Earnings per share[2]		Dividend	Return	Net int	Overhead				
4-year average	1982 vs 1981	4-year average	1982 vs 1981	4-year average	1982 vs 1981	4-year average	on equity 4-yr avg	margin[3] 1982	times NI 1982	Recent price	1982 EPS[2]	P/E ratio	Current yield
11.4%	4.8%	9.8%	10.8%	10.3%	33.3%	10.3%	15.0%	3.49%	4.7	39⅝	$5.60	7.1	4.3%
10.1	6.2	8.6	4.5	–6.5	–13.6	10.5	14.8	3.10	7.7	20⅞	2.61	8.0	7.3
8.9	2.9	9.4	3.9	8.7	–33.1	11.5	14.5	3.37	6.9	52	7.73	6.7	6.7
14.1	6.8	8.4	7.9	8.6	26.1	8.9	14.0	3.10	4.5	43¼	7.78	5.6	7.0
14.7	8.9	10.7	10.3	10.8	10.9	11.5	15.6	2.69	1.8	72½	9.53	7.6	5.1
9.6	5.8	8.3	7.7	16.8	1.6	8.8	14.7	3.86	4.7	47⅝	8.41	5.7	6.8
14.1	3.8	8.2	–0.9	–18.8	–69.7	10.3	13.4	2.48	8.6	22⅞	1.95	11.7	8.7
12.7	14.2	10.7	6.3	5.2	–8.2	14.1	16.1	4.69	5.7	37⅝	5.35	7.0	5.7
9.9	10.2	10.8	10.6	21.5	1.2	8.1	16.6	2.83	3.6	40⅞	6.97	5.9	5.5
14.8	14.3	12.1	11.8	10.9	11.2	11.9	17.1	3.91	4.7	45	7.84	5.7	5.3
11.6	14.8	4.4	5.3	0.4	11.7	4.0	8.9	2.23	4.5	21⅛	3.33	6.3	5.7
16.1	20.3	10.9	5.9	–10.6	–10.0	8.0	11.7	3.71	9.9	28½	3.62	7.9	8.4
10.5	2.5	9.1	10.0	4.3	9.0	9.6	14.5	4.06	6.0	28¾	5.81	4.9	6.7
16.1	16.8	13.6	15.0	18.9	22.2	18.0	19.7	4.69	2.0	21⅞	3.80	5.8	5.5
16.7	15.7	8.5	9.1	13.0	16.2	9.6	13.2	3.32	2.9	45⅞	6.83	6.7	5.3
11.0	5.6	6.4	7.5	23.5	7.1	11.8	9.8	3.51	5.6	23⅞	4.54	5.3	5.9
10.2	3.7	10.6	7.6	9.8	–17.2	10.7	15.3	3.15	5.5	46	9.13	5.0	7.7
12.0	9.9	11.1	13.2	18.3	6.7	10.8	15.4	4.17	4.4	39¾	6.67	6.0	5.3
19.3	23.8	16.8	18.6	22.9	20.5	15.9	21.5	4.55	1.9	38⅛	5.35	7.1	3.4
11.7	11.3	7.9	3.2	–3.6	–20.0	11.2	13.6	4.43	6.2	27¼	3.08	8.8	6.6
16.4	16.5	12.9	12.7	19.5	11.9	19.9	17.1	4.32	2.3	33⅞	5.18	6.5	4.8
13.3	14.8	10.0	10.5	6.3	20.1	9.4	14.5	3.68	3.6	43	7.66	5.6	6.5
17.3	18.2	15.7	17.9	13.8	–13.7	18.4	18.5	4.48	3.1	22¼	3.52	6.3	5.8
17.2	9.0	7.1	9.2	13.3	19.8	7.4	14.3	4.05	5.0	52	10.18	5.1	6.5
10.0	7.4	7.8	8.8	4.3	26.0	6.1	11.8	3.64	3.5	31½	6.69	4.7	6.6
16.6	10.8	10.6	11.2	16.8	8.1	NC	16.2	4.29	2.7	35¼	5.09	6.9	5.4
13.0	9.9	12.8	15.2	15.0	23.7	11.9	16.0	4.64	3.2	22⅛	3.18	7.0	4.5
17.2	24.5	14.6	15.8	17.9	27.7	14.1	19.3	5.01	2.4	28¼	4.15	6.8	4.2
14.3	9.2	2.6	–20.5	P–D	P–D	11.6	8.0	3.88	—	14½	–5.66	def	3.3
35.4	27.5	19.2	14.1	22.3	–6.1	30.7	23.8	2.96	2.0	42¼	5.26	8.0	3.6
10.5	0.8	13.5	6.7	21.2	–8.7	—	10.0	3.79	7.1	—	—	—	—
7.6	4.9	9.4	5.7	1.5	5.4	—	11.0	4.76	8.1	—	—	—	—
10.5	12.4	5.8	1.8	–2.8	9.5	8.7	11.3	3.57	4.8	25¼	3.91	6.5	7.9
14.9	10.0	7.7	8.0	7.2	–10.8	18.9	14.8	5.15	5.4	21⅛	2.81	7.5	4.7
14.1	12.6	12.5	8.2	5.3	–7.4	12.7	17.5	4.54	5.0	19	3.00	6.3	6.1
7.9	7.3	5.6	5.6	7.3	23.7	7.3	9.4	3.11	5.7	32	5.42	5.9	6.9
20.5	34.4	12.1	10.4	17.4	11.3	17.9	16.6	6.35	5.0	30	3.46	8.7	3.6
17.0	16.1	12.1	14.6	18.4	28.7	13.1	16.7	5.13	2.7	23⅛	4.31	5.4	5.9
12.9	14.0	9.7	8.4	10.5	3.1	18.9	14.3	5.51	4.1	36⅞	3.33	11.1	3.8
12.7	12.3	7.3	7.2	–0.3	10.0	5.7	13.1	4.07	3.5	35¼	5.62	6.3	7.8
13.8	14.4	10.6	4.9	–1.4	36.7	—	5.4	3.97	11.7	—	—	—	—
9.5	7.2	4.7	–0.7	–18.0	57.6	5.5	9.0	5.19[9]	3.2[8]	30¼	1.34	22.6	4.3
8.3	8.0	6.7	–2.7	–46.8	–91.0	15.1	10.7	4.50	57.3	16¼	0.30	54.2	7.4
5.4	2.6	8.2	10.7	15.2	58.7	9.2	12.9	5.46	4.0	54¾	9.73	5.67	6.2
9.5	6.6	6.8	6.0	5.8	–8.2	11.0	11.0	3.31	5.8	47½	6.71	7.1	5.7
17.0	18.8	10.9	12.4	14.6	41.8	8.3	16.3	4.88	4.1	28¾	4.31	6.6	4.3
25.4	28.9	18.7	20.0	19.6	17.3	29.9	25.3	6.38	1.9	22¼	2.78	8.0	3.6
7.8	8.7	13.7	13.3	47.8	14.4	NM	15.6	5.80	4.6	12⅞	1.67	7.7	4.3
10.2	9.0	9.6	6.9	2.6	–8.9	13.0	14.0	5.31	5.5	28⅞	4.12	7.0	5.5
8.6	12.3	4.3	4.6	–7.0	–19.1	–4.6	7.5	4.39	9.0	17	2.76	6.2	5.9

[5]Includes leases. [6]Company not publicly traded; stock data not available. [7]Bank only; not organized as a holding company. [8]Bank only. [9]Includes results of nonbank operations where applicable. [10]Three-year average. P-D: profit to deficit. D-P: deficit to profit. D-D: deficit to deficit. def: deficit. NA: not available. NC: not comparable. NM: not meaningful.

1983 Annual Banking Survey

100 largest bank holding companies: a statistical profile

Rank	1982 size measures ($millions) Total assets	Total deposits	Nonperform assets % total assets	Total loans	Loan loss res as % of loans	Total invest-ments	Standby letters of credit	Total capital	Long-term debt % capital	Total operating income	Net income[4]	Company and headquarters
51	$5,756	$4,077	3.1%	$3,495	1.0%	$ 667	$ 58	$668	33.2%	$690	$ 52.2	US Bancorp (Ore)
52	5,753	4,160	2.6	3,358	1.3	1,086	88	604	0.0	624	56.1	AmeriTrust (Ohio)
53	5,691	3,713	1.4	2,598	1.4	683	147	393	22.1	603	42.8	Mercantile Bancorp (Mo)
54	5,433	3,496	4.1	3,046	1.8	884	87	887	78.5	636	–18.8	First Pennsylvania (Pa)
55	5,376	3,960	1.7	2,896	1.5[5]	839	65	372	27.1	614	35.4	Shawmut (Mass)
56	5,284	4,078	1.2	2,970	1.0	794	118	318	14.7	589	12.2	Manufacturers Natl (Mich)
57	5,245	3,955	2.3	2,742	1.9	724	53	336	26.7	438	29.2	Huntington Bancshs (Ohio)
58	5,122	3,494	2.2	2,495	1.3[5]	884	200	382	24.2	617	23.2	Centerre Bancorp (Mo)
59	5,070	3,691	1.7	2,822	1.6	615	115	344	21.1	460	31.9	CBT (Conn)
60	5,065	4,089	1.0	2,685	1.5	868	165	311	18.7	642	35.4	Bank of New England (Mass)
61	5,055	2,926	1.4	2,770	1.2	538	73	489	34.5	544	42.2	Maryland National (Md)
62	5,029	3,896	0.9	2,407	1.3	1,096	49	450	19.5	605	62.1	Banc One (Ohio)
63	5,004	4,095	0.3	2,265	1.2	1,219	44	369	17.2	529	38.7	Sun Banks of Florida (Fla)
64	4,868	3,641	0.3	2,389	1.2	1,288	59	291	14.3	465	34.9	First Natl St Bancorp (NJ)
65	4,848	3,444	0.9	3,338	1.3	502	211	376	21.5	524	44.4	United Virginia Bshs (Va)
66	4,836	3,533	2.4	3,015	1.1	604	187	318	21.3	573	29.9	First Wisconsin (Wisc)
67	4,812	3,171	3.5	3,231	1.4	390	200	397	24.4	573	31.9	Girard (Pa)
68	4,717	3,662	0.9	2,836	1.1	825	118	411	31.3	549	43.7	Texas Amer Bancshs (Tex)
69	4,609	3,319	3.1	2,714	1.2	582	58	538	37.8	532	44.5	First Security (Utah)
70	4,536	3,058	2.1	2,541	1.5[5]	399	100	529	56.2	547	39.5	Fleet Financial Group (RI)
71	4,511	3,018	1.3	2,109	2.3	632	72	300	13.8	482	57.2	Trust Co of Georgia (Ga)
72	4,480	3,046	1.0	2,503	1.7	243	36	349	25.5	478	43.3	First Atlanta (Ga)
73	4,339	3,535	1.4	2,389	1.6	530	45	300	18.7	465	39.1	Midlantic Banks (NJ)
74	4,156	3,576	1.1	2,930	1.0	439	139	262	13.0	493	16.4	California First Bk[7] (Cal)
75	4,135	3,507	NA	2,455	0.8	507	106	275	13.8	483	10.3	Bank of Tokyo Trust[6,7] (NY)
76	4,128	3,322	1.4	2,078	1.2[5]	431	102	218	15.9	390	29.1	Hartford National (Conn)
77	4,120	3,019	2.1	1,724	1.8[5]	319	157	278	25.1	444	28.5	Fidelcor (Pa)
78	3,915	2,483	0.2	1,327	2.2	850	63	269	22.0	469	50.4	State Street Boston (Mass)
79	3,911	3,020	0.7	1,820	1.3	907	52	315	21.9	471	29.4	Society (Ohio)
80	3,892	3,015	1.9	2,220	1.3	483	117	290	29.1	446	28.2	Lincoln First Banks (NY)
81	3,874	3,107	0.4	2,153	1.4	733	128	281	27.1	444	33.3	Virginia Natl Bkshs (Va)
82	3,839	2,728	3.8	2,456	1.3	325	90	252	23.0	521	9.7	BanCal Tri-State (Cal)
83	3,820	3,293	2.2	2,078	1.1	951	51	276	34.6	443	20.3	First of America Bk (Mich)
84	3,716	3,054	1.0	1,627	1.2	488	108	201	0.0	407	21.4	Riggs National (DC)
85	3,710	3,168	0.4	1,998	1.0[5]	717	60	256	6.3	437	33.1	BayBanks (Mass)
86	3,653	3,050	0.6	1,623	1.6	1,079	34	374	22.4	365	43.7	Norstar Bancorp (NY)
87	3,522	2,645	2.1	2,259	1.4[5]	394	117	264	24.2	415	23.9	United Banks of Colo (Colo)
88	3,498	2,719	0.7	1,665	1.0	685	29	271	0.0	342	21.7	Florida Natl Banks (Fla)
89	3,447	2,299	1.3	1,757	1.2[5]	298	48	269	33.3	398	25.0	First Maryland Bncp (Md)
90	3,409	2,757	1.4	1,827	1.2	468	86	221	8.4	327	12.6	Fidelity Union Bncp (NJ)
91	3,407	2,569	1.6	1,803	1.3[5]	429	90	215	3.4	369	30.1	American Security (DC)
92	3,392	2,512	0.9	1,655	1.4[5]	541	43	241	13.6	392	31.2	First Tenn Natl (Tenn)
93	3,353	2,530	1.0	2,005	1.1[5]	269	24	234	22.8	412	24.0	Bank of Virginia (Va)
94	3,343	2,545	1.3	1,569	1.6	587	99	278	8.2	360	31.4	Commerce Bancshares (Mo)
95	3,326	2,203	2.1	1,859	2.3	414	150	256	18.6	368	20.0	First Oklahoma Bncp (Okla)
96	3,314	2,489	3.8	1,743	2.6[5]	386	158	195	16.7	400	–10.9	IntraWest Financial (Colo)
97	3,255	2,450	0.7	1,779	1.6[5]	643	103	297	18.7	374	31.9	AmSouth Bancorp (Ala)
98	3,232	2,591	1.0	1,645	1.4	679	32	195	25.8	331	20.2	United Jersey Banks (NJ)
99	3,225	2,501	1.0	1,748	1.3	371	57	234	20.6	372	22.5	Dominion Bankshares (Va)
100	3,215	2,453	2.1	1,488	1.2	921	80	235	46.6	364	4.5	Equimark (Pa)
			1.5		1.3				22.3			MEDIANS

[1]Four-year average is a compounded annual rate: 1978/82. [2]From continuing operations after security gains or losses excluding gain on sale of operations and extraordinary items. [3]Net interest income on a tax-equivalent basis as a percent of average earning assets. [4]From continuing operations before security gains or losses excluding gain on sale of operations and extraordinary items.

Growth measures[1]							Profitability & cost measures			Stock data			
Average assets		Equity per share		Earnings per share[2]		Dividend	Return	Net int	Overhead				
4-year average	1982 vs 1981	4-year average	1982 vs 1981	4-year average	1982 vs 1981	4-year average	on equity 4-yr avg	margin[3] 1982	times NI 1982	Recent price	1982 EPS[2]	P/E ratio	Current yield
11.1%	10.3%	12.2%	8.8%	3.1%	–19.2%	13.7%	16.7%	5.10%	3.5	21	$2.91	7.2	4.8%
5.0	5.0	6.2	6.2	4.2	6.4	7.7	11.1	4.85	2.7	35	6.69	5.2	8.2
11.3	14.0	9.4	6.8	10.7	–5.0	4.2	16.1	3.74	3.1	33⅜	6.85	4.9	8.0
–8.5	–2.2	–15.0	–12.9	P–D	D–D	–100.0	–12.4	2.40	—	5	–1.29	def	0.0
9.2[10]	10.7	8.0	8.4	36.1	15.4	16.8	11.7	5.54	6.4	35	5.39	6.5	5.5
8.0	–2.3	5.1	6.1	–36.6	–19.9	–10.1	7.7	3.79	29.8	30	1.01	29.7	4.0
15.3	26.1	10.9	11.2	11.6	10.7	11.3	15.4	4.81	4.0	24	5.27	4.6	6.2
12.1	13.1	7.4	3.8	–2.9	–33.8	7.8	12.4	3.72	6.4	19½	3.05	6.4	9.2
10.9	14.6	8.1	4.5	23.3	16.3	11.3	16.1	5.42	4.5	31	5.36	5.8	5.3
16.4	15.9	10.9	11.8	19.9	25.9	11.9	16.1	4.53	4.3	47⅛	7.93	5.9	5.5
10.0	13.9	9.7	7.5	14.6	3.9	12.6	14.4	5.95	4.1	27½	5.11	5.4	4.7
22.5	46.2	10.4	9.2	12.7	9.1	11.9	18.2	5.91	2.9	36¾	3.60	10.2	3.7
19.3	25.5	7.5	4.4	13.7	8.1	12.8	14.1	5.55	5.0	22	2.66	8.3	4.9
12.0	6.4	5.4	7.8	15.8	16.4	4.2	14.7	5.15	4.1	32½	6.59	4.9	7.4
8.9	16.9	11.1	11.4	15.0	11.4	14.0	16.5	5.62	3.9	48	7.21	6.7	5.3
2.6	4.7	7.7	9.1	13.6	3.3	4.2	13.4	3.88	5.5	32¼	6.87	4.7	6.5
3.7	10.4	8.3	5.4	4.5	–20.2	9.5	14.5	4.56	5.0	52⅜	5.52	9.5	4.7
15.5	22.1	12.1	12.1	15.9	6.9	18.8	16.4	5.15	3.3	30⅝	4.82	6.4	5.0
8.7	11.4	11.5	13.2	13.0	30.4	6.3	16.8	4.97	2.6	22¾	4.42	5.1	4.8
11.3	14.8	10.8	11.9	18.8	18.5	11.0	17.4	4.83	3.6	38¼	6.28	6.1	5.8
13.1	20.0	15.9	16.8	27.3	17.6	19.6	22.4	7.20	3.3	29	3.54	8.2	3.4
10.1	16.6	11.4	13.3	24.6	15.0	13.3	16.3	6.68	4.4	23¾	3.61	6.6	4.2
16.7	14.0	8.6	12.3	23.9	19.4	7.1	21.1	5.83	3.5	34½	7.74	4.5	5.4
10.7	6.3	4.5	–9.0	–19.0	–56.9	7.2	11.5	4.34	14.8	16½	1.10	15.0	6.5
15.4	5.1	9.9	4.1	–8.2	3.3	—	6.1	NC	3.4	—	—	—	—
6.5	8.5	9.4	8.3	19.3	4.0	15.2	14.7	5.81	6.3	29¾	4.46	6.7	6.7
5.1	17.7	9.2	10.0	D–P	9.2	14.4	10.4	4.40	4.2	25⅝	5.47	4.7	6.6
15.8	15.6	16.9	24.4	59.9	87.4	22.0	19.3	5.28	3.2	66½	11.75	5.7	2.6
12.0	10.7	7.5	7.3	4.8	18.1	9.7	12.2	4.10	4.5	22	4.17	5.3	7.3
5.3	6.6	5.4	7.4	10.1	36.6	1.6	12.0	5.09	5.6	34¾	6.61	5.3	5.8
10.2	20.5	9.5	9.8	11.7	10.4	11.8	16.2	6.13	5.0	25⅜	4.23	6.0	6.3
7.2	7.2	4.6	1.1	–14.3	–21.2	14.8	8.1	3.82	16.6	36½	1.79	20.4	3.3
24.5	35.5	8.4	8.7	6.0	36.3	7.2	13.8	4.68	6.8	19⅜	4.13	4.7	6.8
14.3	6.5	8.0	5.0	2.9	–16.7	9.0	13.6	4.57	4.9	30¼	3.39	8.9	6.0
8.7	8.3	10.3	9.2	15.8	7.0	12.6	15.4	6.39	5.1	31¼	5.34	5.9	6.4
16.3	48.6	6.1	2.7	12.6	14.7	8.3	14.8	6.26	2.7	30⅜	4.75	6.4	7.2
14.2	12.1	10.2	6.2	2.0	–20.4	8.6	14.5	6.27	6.3	16⅜	2.19	7.5	6.1
13.9	16.2	7.0	10.4	3.8	24.6	13.9	8.8	5.67	6.0	30½	2.28	13.4	2.9
15.3	17.9	6.0	11.1	9.8	–1.1	9.4	15.1	4.92	5.0	29	4.50	6.4	5.2
13.4	1.6	3.1	–4.2	–39.0	–88.7	2.4	9.6	5.15	41.9	30⅛	0.74	40.7	9.3
15.0	13.0	10.0	9.6	10.4	8.6	6.8	15.4	4.35	2.3	26¼	3.93	6.7	5.3
10.9	13.1	9.2	9.1	11.1	9.5	20.1	15.3	5.22	3.9	19¼	3.24	5.9	6.6
10.6	17.1	4.6	6.8	7.5	40.7	5.2	11.0	5.05	4.9	25	3.77	6.6	5.3
11.1	10.7	6.6	5.0	8.9	193.5	7.1	11.4	5.84	3.2	33½	6.37	5.3	5.5
20.9	23.3	10.6	7.8	2.9	–26.1	25.7	14.5	4.55	4.0	16⅛	1.87	8.6	4.0
11.1	18.4	3.6	–11.2	P–D	P–D	9.6	10.0	6.10	—	30½	–2.11	def	4.6
8.1	8.3	9.4	8.5	6.2	5.3	8.1	15.1	5.54	3.7	27½	4.21	6.5	6.4
5.6	10.5	7.2	7.9	10.5	9.3	2.6	13.2	5.07	5.9	19¾	3.17	6.2	6.3
9.2	10.8	8.1	4.7	–3.0	–21.8	8.3	13.6	4.75	6.2	17½	1.79	9.8	5.7
4.1	7.7	–12.4	0.9	–28.9	D–P	–100.0	–7.8	2.77	12.5	5⅜	0.54	10.0	0.0
11.7	**11.4**	**9.3**	**8.1**	**10.3**	**9.2**	**10.4**	**14.5**	**4.57**	**4.5**			**6.5**	**5.6**

[5]Includes leases. [6]Company not publicly traded; stock data not available. [7]Bank only; not organized as a holding company. [8]Bank only. [9]Includes results of nonbank operations where applicable. [10]Three-year average. P-D: profit to deficit. D-P: deficit to profit. D-D: deficit to deficit. def: deficit. NA: not available. NC: not comparable. NM: not meaningful.

The 50 largest trust operations

Helped by a 19.6% rise in the Dow Jones industrials, the money managed by the trust operations below grew to $444 billion in 1982, a 17% increase over 1981. Twenty of these trust operations were able to better the DJI's performance. Among the top five, Bankers Trust moved up to the number two spot and Citicorp slipped to number five. J.P. Morgan retains first place by a healthy margin.

1982 rank	Company	Market value of trust assets[1] 1982 (millions)	% Increase over 1981	—Trust department revenues— total (thousands)	% change from 1981	% of total operating revenues
1	JP Morgan	$39,118	11.1%	$189,600	15.4%	2.8%
2	Bankers Trust	23,000E	18.0	90,546	21.2	1.9
3	PNC Financial	21,902	17.0	62,101	18.0	4.8
4	Mfrs Hanover	21,588	20.6	75,696	3.2	1.0
5	Citicorp	21,436	8.2	132,656	4.9	0.7
6	Chase Manhattan	14,957	19.4	103,162	16.4	1.0
7	Mellon National	12,949	4.7	37,009	17.5	1.6
8	Harris Bankcorp	12,853	11.0	42,140	0.6	4.6
9	Chemical New York	12,008	23.3	67,334	3.5	1.2
10	Wells Fargo	11,885	25.4	45,646	17.9	1.4
11	Continental Illinois	11,565	–7.2	60,428	12.7	1.0
12	Northern Trust	11,534	7.1	72,651	23.5	8.8
13	Wilmington Trust	10,487	23.2	14,902	0.1	7.8
14	US Trust	9,365	2.0	70,192	14.8	28.0
15	First Bank System	9,267	15.8	41,902	14.2	2.1
16	Crocker National	8,982	11.6	41,123	14.0	1.4
17	BankAmerica	8,863	–12.0	70,546	3.3	0.5
18	State Street Boston	8,856	71.4	57,997	51.4	12.4
19	InterFirst	8,500	16.4	34,000	21.4	1.4
20	First Interstate Bancorp	8,029	7.7	56,134	14.2	1.2
21	Fiduciary Trust of NY	7,489	24.8	20,903	4.3	67.7
22	First Chicago	7,488	9.8	47,564	3.8	1.1
23	Capital Guardian Trust	7,258	30.8	NA	NA	NA
24	Bank of New York	7,231	15.2	119,020	27.3	7.8
25	Girard	7,060	17.2	28,976	21.2	5.1
26	AmeriTrust	6,976	12.6	30,922	10.7	5.0
27	First National Boston	6,745	2.6	51,898	15.7	1.9
28	NBD Bancorp	6,739	8.1	28,574	–0.3	2.0
29	Centerre Bancorp	6,289	14.7	25,146	13.2	4.1
30	Northwest Bancorp	5,812	14.6	34,782	8.9	1.7
31	RepublicBank	5,729	15.8	32,097	18.2	1.7
32	Bank of New England	5,574	20.1	26,747	14.6	4.2
33	National City Corp	5,363	34.9	20,107	12.3	3.0
34	Amer Natl (Chicago)	5,212	31.3	12,732	11.7	4.0
35	First City Bancorp	5,149	10.7	22,132	23.4	1.3
36	Citizens & Sthrn Ga	4,603	34.7	12,196	14.2	1.9
37	Tex Commerce Bncshrs	4,555	24.8	22,278	28.1	1.2
38	Trust Co of the West	4,496	28.2	NA	NA	NA
39	Boatmen's Bncshrs	4,344	26.8	8,416	13.4	3.3
40	NCNB	4,236	54.5	19,244	26.4	1.8
41	Hartford National	4,186	24.4	22,613	20.0	5.8
42	Comerica	4,111	19.6	21,736	17.8	2.9
43	Manufacturers National	4,014	22.1	13,645	15.6	2.2
44	First Wisconsin	3,945	26.7	17,028	11.1	3.0
45	Irving Bank Corp	3,944[2]	—	30,179	14.7	1.3
46	Trust Co of Georgia	3,936	26.2	20,363	14.0	4.2
47	Wachovia	3,725	18.3	25,629	20.2	3.2
48	Mercantile Bancorp	3,604	15.6	13,766	10.9	2.3
49	First Pennsylvania	3,431	12.1	18,391	3.9	2.9
50	Marine Midland	3,371	19.9	23,102	9.6	1.0

[1]Accounts over which the bank exercises investment discretion. [2]Market value as of 12/31/81, latest available figure. E: Company estimate. NA: Not available.

of the money-center banks have been so strong in spite of all the scare stories in the press and on the tube about defaults on foreign loans. Citibank, for example, has almost doubled from its summer low of last year. Chemical, Manufacturers Hanover and J.P. Morgan are up almost as much. Chemical hit an alltime high this year and some of the others could easily do so if the market continues to rise.

Here is what the consensus of a group of analysts is predicting for the big New York City banks this year (net income per share before securities transactions):

Citicorp: $6.50-$6.75; up from $5.50. Consumer business is turning profitable and could contribute $150 million to earnings, more than double 1982's results.

Chemical: $9.55 to $9.70; up from $8.69. Chemical, along with J.P. Morgan, established the low point for loan losses in 1982.

J.P. Morgan: $11.30; up from $10.67.

Chase Manhattan: $11.50-$12.50; up from just under $8. A turnaround, but still facing immense problems.

Bankers Trust: $8.55 to $9; up from $8.73.

Manufacturers Hanover: $8.40; up from $7.82.

Not that the banks don't have plenty to worry about. Consider:

Deregulation of interest rates has made the business a lot tougher and more competitive. That situation is getting worse from the banks' viewpoint, not better.

While stockbrokers and others are moving into banking, the banks get a hard time when they try moving into other people's bailiwick. The banks are slowly getting their way but the question still remains: How good will bankers be at insurance? How good at stock brokerage?

The price of oil. The price of oil? What's that got to do with banking? Plenty. A total collapse of OPEC leading to $19 or $20 oil would be good for most of the American economy, but it would be a body blow to banks who have lent heavily on the expectation that the price of oil "could only go up." As the price of oil drops, the collateral becomes worth less and less. Says one West Coast lending officer: "At $25 a barrel most of our loans will be okay. But $22? Please, my nerves. At $22 a lot more of our loans will be in bad, bad trouble."

Reported earnings, [illegible]e clearly, are not what bankers have to worry most about these days.

And the band struck up, "Nearer, my God, to Thee. . . ." ■

Wall Street thinks everything is finally coming up roses for the thrift industry after two years of travail. Don't be too sure.

Put the champagne away

The 25 largest savings and loan associations

In an effort to save or be saved, mergers were commonplace in the savings and loan industry in 1982. The 25 largest S&Ls now have assets totaling $153 billion, up from last year's $125 billion—mainly because of mergers and acquisitions. Profits are another story. Only six S&Ls were profitable.

	1982 size measures ($millions)							
Rank	Total assets	Savings accounts	Loans receivable	Investment securities	Advances from FHLB	Total revenues	Net income	Company (4-year size)
1	$16,864	$11,815	$10,946	$1,712	$1,830	$2,015	$–44.5	HF Ahmanson (Cal)
2	12,675	9,561	10,174	1,920	1,855	1,387	–74.7	Great Western Financial (Cal)
3	10,415	7,635	7,809	1,126	1,154	1,153	4.8	California Federal S&L[2] (Cal)
4	9,388	6,221	8,524	507	1,144	1,009	–61.1	First Charter Financial (Cal)
5	7,869	5,952	5,710	656	1,092	779	–17.0	Glendale Federal S&L [2,3] (Cal)
6	7,270	4,454	6,016	540	1,714	859	6.9	FN Financial Corp[4] (Cal)
7	7,269	4,835	5,880	510	964	799	–19.8	Golden West Financial (Cal)
8	6,612	4,904	5,988	223	250	775	36.7	Financial Corp of America (Cal)
9	6,361	4,860	3,668	727	648	484	–107.8	Talman Home Federal S&L [2,3] (Ill)
10	6,112	4,514	4,651	560	1,172	668	–28.9	Home Federal S&L[2] (Cal)
11	5,943	4,675	3,730	918	621	481	–8.7	Empire of America[2] (NY)
12	5,271	3,811	4,379	470	951	549	–61.1	Imperial Corp of Amer (Cal)
13	5,235	3,281	3,885	1,100	1,030	484	–23.5	First Federal Svgs of Mich[2] (Mich)
14	4,847	2,937	3,957	449	1,193	546	–26.7	Gibraltar Financial (Cal)
15	4,528	3,386	3,607	331	427	554	13.2	City Federal S&L (NJ)
16	4,044	3,233	3,010	219	429	365	–94.2	First Fed S&L of Chicago[2,3] (Ill)
17	3,888	2,661	3,416	293	491	447	–32.0	AmeriFirst Federal S&L[2] (Fla)
18	3,882	2,845	3,048	259	650	418	–26.7	Great American Federal S&L[2,3] (Cal)
19	3,748	2,724	2,782	526	428	411	–22.7	Gibraltar Savings (Tex)
20	3,629	2,932	2,601	674	340	315	8.7	Carteret S&L[2] (NJ)
21	3,573	3,171	3,110	240	159	354	–46.2	Standard Federal S&L[2,3] (Mich)
22	3,541	2,516	3,022	215	672	352	–28.4	Allstate S&L[5] (Cal)
23	3,348	2,305	2,342	354	464	394	–21.4	Coast Federal S&L [2,3] (Cal)
24	3,344	2,240	1,110	466	684	308	–33.4	First Federal S&L of Rochester[2,3] (NY)
25	3,223	1,949	2,011	232	1,012	263	44.5	Benj Franklin Federal S&L[2] (Ore)

[1]Four-year average is a compounded annual rate: 1978/82. [2]Mutual savings and loan association.
[3]Based on data from the Federal Home Loan Bank; figures are derived for the period ending June.

By Ben Weberman

SINCE THE MIDDLE of 1982, savings and loans have turned in one of the most spectacular performances of the bull market, with stock prices of S&Ls in many cases increasing fourfold.

It isn't hard to see why. Not for years have savings and loans felt this kind of euphoria. Billions of dollars in new deposits have flowed into their new money market deposit accounts. The spread between the cost of funds and the yield on loan portfolios has turned positive again after nearly two years in the red. And on top of that there are healthy nonrecurring gains to be had as housing recovers: loans carrying generous fees up front that can be counted in current net income.

Buoyed by this glittering vista, thrifts are raising big money from the public, a good deal of it from mutual savings associations converting to stock associations. Robert Chaut, analyst with A.G. Becker, has been tracking S&L conversions since they were first permitted in 1975. From that year until this January, Chaut says, about 129 thrifts went public, raising about $675 million. In the current enthusiasm, Chaut thinks the thrifts will raise more than $1 billion in public offerings this year. About half of that will come from two big conversions, by California Federal and Home Federal of San Diego.

Nor do the ambitions of S&Ls end at public offerings. They are eyeing the markets of the commercial banks. For example, Gibraltar Financial of California is putting together a credit department to solicit small and medium-size business loans. Gibraltar also opened a broker/dealer affiliate.

Is everything coming up roses at last? Maybe. But remember that most of that new money raised from the public is not going for expansion but for rescue operations. The fact is, the optimists failed to reckon with the huge mortgage delinquencies and defaults that have shown up this year. In February, for example, mortgage defaults set an alltime record, and March was running in the same direction. Those loans are mainly ones carrying 16% and 17% rates on homes purchased within the past year or so at highly inflated prices. Also in trouble are a lot of the famed "creative financing" devices fashioned in the desperate 1970s.

Take $6 billion (assets) Home Federal Savings & Loan Association of San Diego, tenth largest in the country. Home Federal's net income had been running about $40 million a year until the disastrous years 1981 and 1982, when it lost nearly $49 million.

But during the final four months of last year, Home Federal's earnings abruptly turned up. A good part of it was the improved net interest spread. But

Growth measures[1]								Dec. 31, 1982		
Assets		Savings		Revenues		Net income				
4-year average	1982 vs 1981	4-year average	1982 vs 1981	4-year average	1982 vs 1981	4-year average	1982 vs 1981	Yield on earning assets	Cost of funds	Spread
11.4%	12.1%	9.0%	6.8%	18.4%	28.8%	P–D	D–D	11.49%	10.12%	1.37%
6.1	0.8	4.7	2.7	13.0	0.4	P–D	D–D	11.07	10.38	0.69
17.6	37.1	16.4	46.8	26.2	61.3	–44.3%	D–P	12.50	10.65	1.85
3.0	–3.7	0.1	–2.3	9.1	0.6	P–D	D–D	10.34	10.31	0.03
23.4	50.1	20.4	48.6	29.3	38.7	P–D	P–D	NA	NA	NA
30.2	3.6	21.1	–4.4	39.6	71.8	–29.9	–40.1%	10.98	10.21	0.77
21.9	31.2	19.0	60.0	31.8	28.1	P–D	D–D	12.10	10.70	1.40
68.5	76.0	71.6	78.5	80.6	99.8	50.5	106.0	13.59	11.80	1.79
32.9	72.7	31.7	77.1	33.1	47.1	P–D	D–D	NA	NA	NA
18.9	20.7	13.3	35.7	23.2	17.8	P–D	D–D	12.32	11.20	1.12
33.0	109.3	28.1	95.8	35.6	95.0	P–D	D–D	11.36	11.03	0.33
10.5	2.0	8.4	4.6	15.3	8.8	P–D	D–D	11.07	10.88	0.19
9.2	31.6	1.6	2.2	10.1	22.2	P–D	D–D	10.65	10.13	0.52
11.1	1.6	2.8	12.8	19.7	12.7	P–D	D–D	11.31	10.50	0.81
28.9	35.3	29.3	40.9	46.1	68.6	9.9	D–P	13.05	11.53	1.52
15.3	11.9	13.6	14.5	20.1	7.5	P–D	D–D	NA	NA	NA
14.7	16.1	9.0	4.8	26.6	25.5	P–D	P–D	NA	NA	NA
26.8	41.2	22.6	48.6	32.6	42.7	P–D	P–D	NA	NA	NA
14.5	11.4	12.1	8.5	24.5	14.6	P–D	P–D	11.99	12.84	–0.85
33.5	88.0	33.3	93.5	39.6	63.0	14.9	D–P	12.10	10.73	1.37
11.8	4.9	11.1	7.1	20.5	9.8	P–D	D–D	NA	NA	NA
10.3	8.6	5.9	10.9	14.8	7.7	P–D	D–D	10.99	10.26	0.73
10.1	8.3	7.3	7.6	21.3	24.7	P–D	D–D	NA	NA	NA
31.7	179.8	26.1	126.5	37.7	186.0	D–D	D–D	NA	NA	NA
31.6	183.5	24.0	129.9	31.6	160.6	41.1	D–P	13.24	11.59	1.65

[1]Subsidiary of National Steel. [2]Subsidiary of Sears, Roebuck. NA: not available. P–D: profit to deficit. D–D: deficit to deficit. D–P: deficit to profit.

BUSINESS CLIMATE

LOUISIANA DOES MORE THAN TALK ABOUT IT

Louisiana's actions on "business climate" speak louder than words. Check our record. Reasonable Tax Policies; Revenue Bond Financing; State-Supported Job-Specific Training Programs; Enterprise Zones; Businesslike Government; Fair Workmens Compensation and Unemployment Laws.

LOUISIANA WORKS

For more reasons why Louisiana works, write: Jim Harris, Louisiana Office of Commerce & Industry, P.O. Box 44185, Dept. B53, Baton Rouge, LA 70804 or call (504) 342-5361

Because our actions speak louder than words.

much of it also came from upfront points on new mortgages or the application of book benefits from purchase accounting methods on the acquisition of ailing S&Ls. Without the mergers, in fact, Home Federal's interest spread would have been a negative 0.25% rather than a positive 0.34% in 1982.

Despite the improved earnings, Home is far from out of the woods. In its most recent reporting period, 1% of its mortgage portfolio was one month late in payments, 0.27% was two months behind and 1.9% was behind by three months or longer. Of $109 million in slow loans, more than half consisted of residential mortgages and about one-quarter was on commercial properties.

Moreover, Home's ratio of "scheduled items" (like slow loans and real estate owned due to foreclosure) to assets was over 2.2%—close to the danger zone of 2.5% set by the Federal

The thrifts' ambitions to invade commercial banking may put them up against their bigger rivals in a way that highlights their longtime disadvantages.

Home Loan Bank Board. If the ratio reached 2.5%, the government agency could order the thrift to draw in loans from outside parties for its subsidiaries, a costly move. In addition to seeking external, expensive financing, the association could be forced to sell off some of the scheduled items at a deep discount from book carrying cost.

What about the thrifts' ambitions to invade commercial banking? In effect, it may put them up against their bigger rivals in a way that highlights their longtime disadvantages. Some bankers contend that the thrifts lack the experience in credit evaluation—let alone the cash—to attract top-dollar lending officers.

With all these problems remaining, why is mighty Citicorp acquiring ailing Fidelity Savings & Loan of Oakland, Calif.? Not because it is dying to get into the S&L business, but because it wants a tap into the rich California consumer market from which it is barred by law as Citibank. Today, Citicorp's worldwide consumer loans total more than $23 billion, up from $18 billion a year ago, and account for 27% of total assets. Citibank wants even more consumer loans and apparently views the S&Ls more as an additional entry point than as an acquisition of a going business.■

Faces
Behind The Figures

Edited by Eamonn Fingleton

Real men take risks

When people politely ask Alex Brainard to put out his cigar, he often says no, and says it firmly. "Men who smoke cigars are clearly strong-minded, independent and maybe even macho," says Brainard, 56. He should know. He is president of Consolidated Cigar, the world's largest cigarmaker and the company behind brands like Muriel, Don Diego and Dutch Treats. "Cigar smokers," he says, "need to be able to weather dirty looks."

But according to Gulf & Western, Consolidated Cigar's former owner, in these days when real men *do* eat quiche and Phil Donahue and Alan Alda are lionized for their "sensitivity," there are a lot fewer macho men. The cigar market has been declining by 5% a year since 1965. Seeing no reversal in sight, G&W put the company on the block about a year ago.

Brainard and four other senior executives at Consolidated are betting G&W is wrong. Last month they bought Consolidated for $120 million, $119 million of which they borrowed (more than half from G&W).

What do they see that G&W doesn't? First, they are planning to cut production costs 25% on two of their major brands—Dutch Masters and El Producto—with new technology that will do away with the expensive whole leaves of tobacco that have traditionally formed a cigar's outer skin. They will substitute a new wrapper composed of tobacco fragments mixed with what Brainard delicately refers to as "extender"—really cellulose, coloring and flavoring.

"The process of making the wrapper is a little bit like making paper," says Brainard. "People who aren't very kind call it paper, but we prefer to call it tobacco."

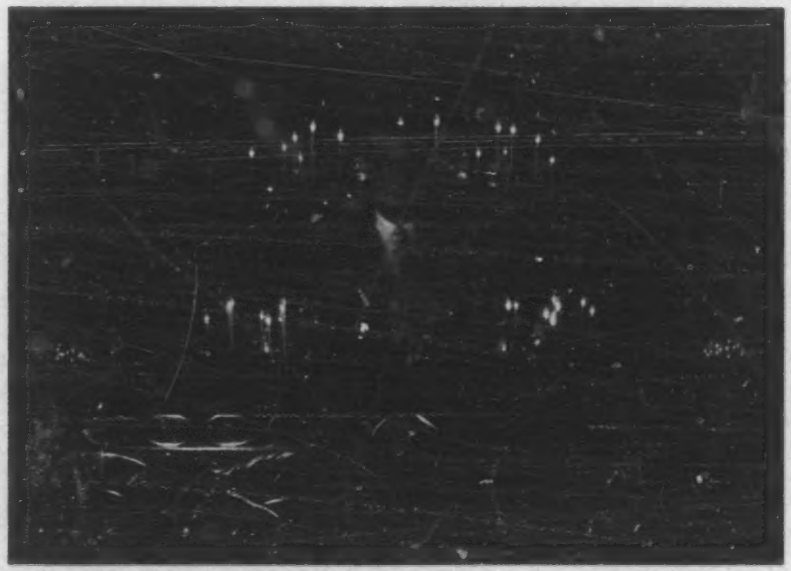
How will real men take to the high-tech smokes? Brainard admits the taste will alter slightly but adds: "The connoisseur will notice and get mad and may go away from you. But we studied Phillies, White Owl and William Penn [cigars that are now made with homogeneous wrappers], and while they lost some people, they gained others." Brainard is also betting on the graying of America. Most cigar smokers are between 40 and 60, an age band now expanding as inexorably as baby boomers' waistbands.

After 30 years as an organization man (General Foods, then G&W), Brainard is eager for a change. "It will be nice not to have to answer to a planning group," he says. "We can spend our remaining work years truly enjoying what we do."—**Paul B. Brown**

Consolidated Cigar's Alex Brainard
Smokes go high tech.

Mr. Empire State strikes back

New York property king Harry Helmsley had been talking for years about trumping Chicago's 1,454-foot Sears Tower with a giant new Manhattan skyscraper. Then, with New York rents soft recently, there was silence. Now, however, he seems at least mildly bullish again. He tossed $65 million into property in December alone and plans to plow back more of his cash flow into the market later this year. So what is delaying his world-beater? "Interest rates," he says, rocking back in his tweed-covered executive chair. The prime rate may have fallen 10 points in the last 18 months, but that is not enough for Helmsley, who would not have accumulated his $750 million net worth without a gift for shrewd market tim-



Helmsley-Spear's Harry Helmsley
No monuments to himself.

ing. "I would have to pay around 12% or 13% for long-term money today, and initially at least that wouldn't let me cover my costs," he says. "I want to borrow in single figures—maybe at 8% or 8.5%."

Rival property magnates doubt that even Helmsley, the wealthiest self-made real estate man in the Forbes Four Hundred, can afford such a spectacular gamble. The whole thing, they say, is Harry's little tease to give rivals sleepless nights. But Helmsley, 73, a rangy man who swims every morning and looks remarkably fit for his years, insists the new pile, costing an estimated $600 million, is for real. "I already have the site, in midtown Manhattan," he offers. "I don't own it, but I have a verbal agreement with the owner." Helmsley, whose Helmsley-Spear company already manages the Empire State Building, is short on the sort of details his rivals would consider persuasive.

One thing he is giving away for free: the new monster's height. "It will be 100 feet taller than Sears," he declares with satisfaction. The project's splashiness has raised some eyebrows. For the higher he goes, the bigger the proportion of space he has to allow for elevator shafts, thus cutting into Helmsley's all-important bottom line. Faster elevators will help him beat the problem, he says.

Even so, it is not like Helmsley, who began as an office boy in the management company that now bears his name, to build a monument to himself. His style has always been to snap up ho-hum secondhand buildings and turn them into gold mines with minimal expense. His modestly proportioned office, sited in an anonymous, elderly skyscraper near Grand Central Station, sets the tone: His only fripperies are three plastic tourist replicas of the Empire State Building. So far he has resisted moving to his flagship building, the more glamorous 230 Park Avenue. Says Helmsley: "I can't afford my own rents." —E.F.

New balancing act

The Paris-based International Energy Agency was created nine years ago, when oil prices were increasing and the only thing in sight was more of the same. Its primary mission was to share oil among its member countries, which consist of the U.S. and other oil-importing Western democracies, in the event of another oil scare. So, with oil prices now falling, is the IEA spinning its wheels?

Far from it, says Ulf Lantzke, the 56-year-old German-born lawyer who has headed the IEA since 1974. In creating the agency, Lantzke says, the basic objective was to stop the high cost of energy from putting a brake on economic growth. "We are still not in a position today to say that has been accomplished," he maintains.

Lantzke takes the long view. Low economic growth, he points out, has contributed heavily to the reduction in world energy demand. At the same time, it has slowed or forced cancellation of investments in nonoil energy like solar power and tar sands projects, which can take as long as 15 years to bear fruit.

Ulf Lantzke of the IEA
A new sense of mission.

A vigorous and lasting economic recovery will require much more oil to keep going, Lantzke reasons. And finite oil is still the only energy source that can readily be turned on. He expects that world oil demand in non-Communist countries will bottom out this year and start back up again in 1984.

So Lantzke sees the IEA's mission now as one of promoting "a balance among energy sources"—coal, nuclear, gas and oil—to prevent any single one of them from upsetting the energy basket.

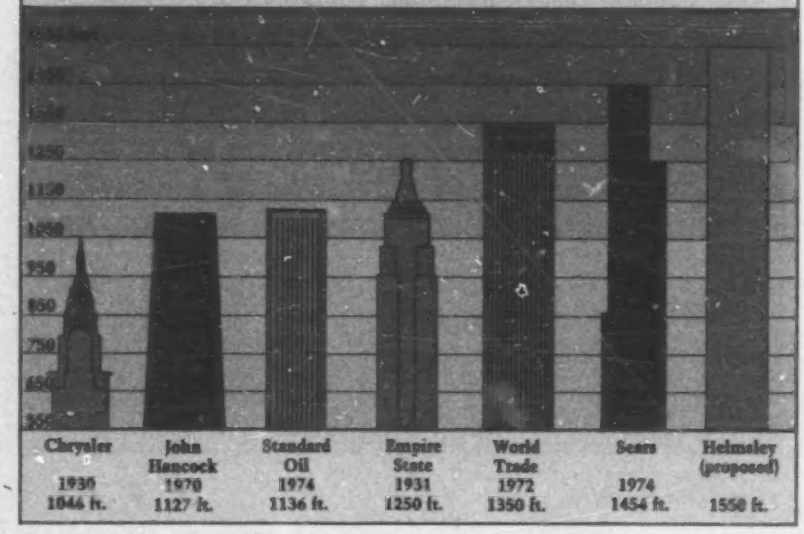
The IEA is stepping up R&D work on things like coal technology, enhanced oil recovery, solar power and nuclear fusion. IEA at present coordinates 45 projects, which are paid for on a cost-sharing basis by member countries. Lantzke is also spending more of his time on the interview circuit: "With energy you have to repeat your message every week. People just don't remember."

In the short term does he think oil prices have hit bottom? He says: "At $29 a barrel there is still a lot of spare capacity."

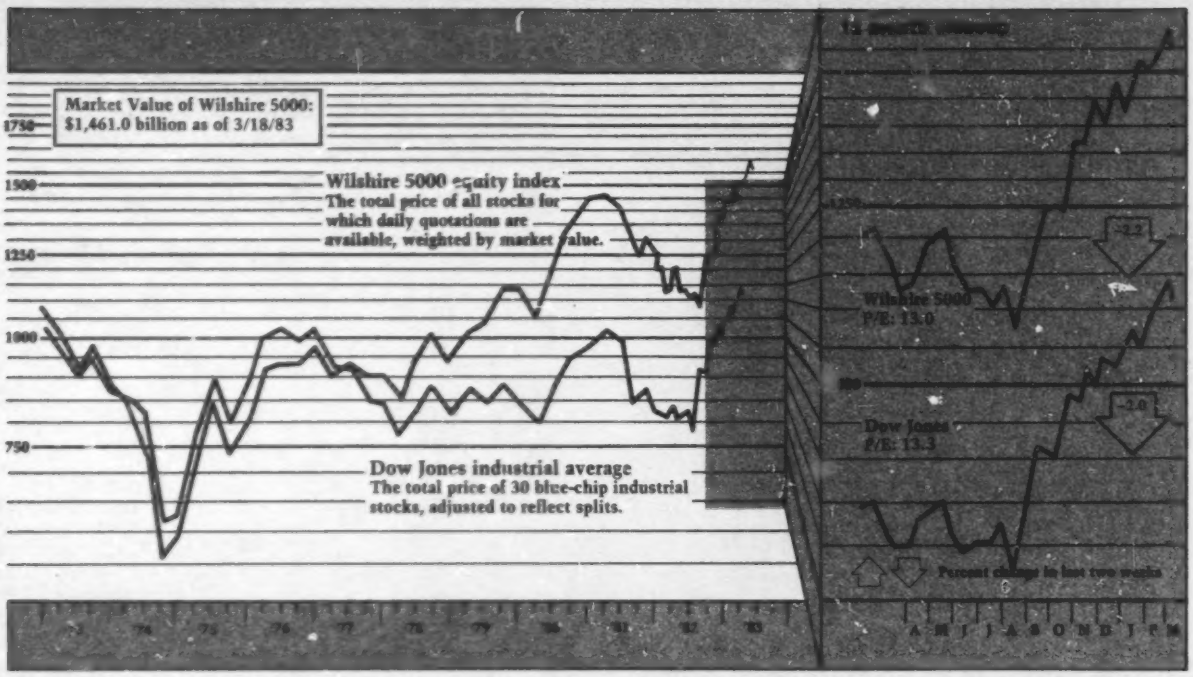
Should oil prices fall still further, Lantzke professes to have limited sympathy for the big oil companies that have been taking it on the chin.

Profiles in height

Helmsley's shadowy structure in New York City will be the fifth office complex to claim the "world's tallest" title since 1930. The taller you build a building, of course, the bigger the proportion of space you need for elevators. Helmsley hopes faster elevators will help.



The Forbes/Wilshire 5000 Review


Market Value of Wilshire 5000:
$1,461.0 billion as of 3/18/83
1750
1500
1250
1000
750
Wilshire 5000 equity index
The total price of all stocks for which daily quotations are available, weighted by market value.
Dow Jones industrial average
The total price of 30 blue-chip industrial stocks, adjusted to reflect splits.
-2.2
Wilshire 5000
P/E: 13.0
-2.0
Dow Jones
P/E: 13.3
Percent change in last two weeks
A M J J A S O N D J F M

Slow idle. After gaining fairly steadily since the beginning of the year, the market took a bit of a breather. The last time every major indicator declined was in mid-December, and the market quickly returned to its winning ways. Is the current drop another relatively mild round of profit-taking? Or is it the beginning of the long-anticipated correction? The trend in interest rates and first-quarter earnings reports probably holds the key.

During the recent two weeks the Wilshire index lost 2.2%, and the Dow was down 2.0% on relatively light trading volume. By comparison, NASDAQ stocks slipped only 0.3%. While falling oil prices hurt the energy stocks as a group, the major oils were generally hit harder than the secondary issues. Thus, the Amex fell only 1.0%, while the entire energy sector dropped 6.2%.

The price-to-earnings multiple of the 25 Dow stocks that showed profits over the last 12 months hit a new high of 13.3. The blue chip Dow is now selling at a slightly higher multiple than the market as a whole. Will the rest of the market catch up, or are the blue chips finally getting ahead of themselves? Since these stocks are highly visible and widely held, the higher their multiples go the more vulnerable the entire market becomes—especially if reality can't catch up with optimistic expectations.

Close-up On The Equity Markets

Performance of all leading indexes

Percent change	Wilshire 5000	Forbes 500[1]	Dow Jones Industrials	NYSE Composite	Amex Market Value Index	NASDAQ Composite
In last 4 weeks	1.5	-2.4	2.3	1.1	-0.7	1.4
In last 52 weeks	38.1	35.1	34.7	35.8	50.3	54.3

Stock performance sorted on five key investor risks

Percent change	Volatility[2]		P/E multiple		Dividend yield		Growth profile[3]		Share price	
	High	low	over 25	under 5	over 7.5%	none	high	low	over $40	under $4
In last 4 weeks	2.6	1.3	0.9	6.3	3.8	4.4	2.3	2.9	5.0	1.8
In last 52 weeks	95.0	42.3	69.5	113.0	36.9	157.6	110.3	46.0	51.2	84.1

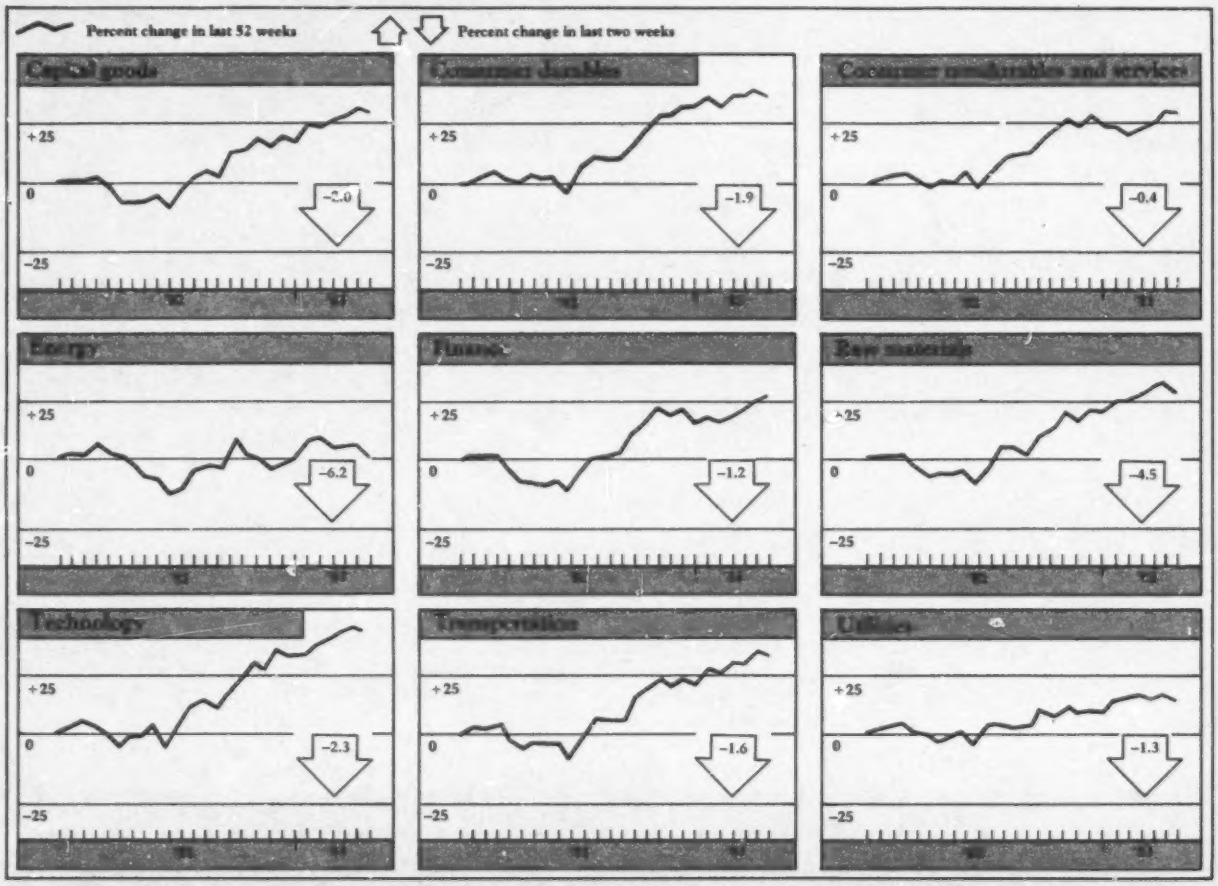
[1]Based on sales.
[2]A stock's sensitivity to overall market movement. High-volatility issues have wide price fluctuations, low-volatility issues are more stable.
[3]A quantitative evaluation of a stock's growth image, determined by Wilshire Associates.

Note: All data for periods ending 3/18/83. Prepared by Wilshire Associates, Santa Monica, Calif.

Where The Action Is

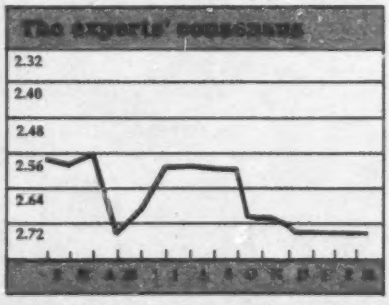
No favorites, really. Investors moved money out of all nine industry sectors over the last two weeks. This is the first time since the August rally that every group has posted negative results. With oil prices falling, energy stocks led the list of losers. But raw materials stocks—off 4.5%—were hard hit, too. Much of that decline can also be placed squarely in OPEC's lap. Several of the gold stocks in this group were sold off in response to the decline in oil prices.

The strongest group, on the other hand, was consumer nondurables. They fell a comparatively modest 0.4%. Why were these stocks the best of a bad lot? Perhaps some investors were cheered by the slim month-to-month decline in retail sales.



What The Analysts Think

Status quo. Analysts changed very few positions over the last two weeks. Perhaps they are waiting to see where the market moves before committing themselves. In the meantime, hard-hit energy stocks are still the favorites while the strongest group, consumer nondurables, is still sitting in last place.



Rank	Sector	Current opinion	Rank 2 weeks ago	Rank 4 weeks ago
1	Energy	2.66	1	1
2	Utilities	2.68	2	2
3	Technology	2.70	3	3
4	Capital goods	2.72	4	4
5	Transportation	2.74	5	6
6	Raw materials	2.77	6	5
7	Finance	2.81	7	7
8	Consumer nondurables	2.83	8	8
9	Consumer durables	2.89	9	9

Opinion ratings are ranked on a scale of 1 (strong buy) to 5 (strong sell). Data reflect the views of 200 institutional analysts. The consensus of opinion graph is the composite rating of 1,200 stocks, while the sector breakdowns correspond to industry groups graphed above. All figures are weighted for market capitalization.

Note: All data for periods ending 3/18/83. Prepared by Wilshire Associates, Santa Monica, Calif.

Oil stocks have been slipping out of favor on Wall Street for nearly three years. Nothing can go down forever.

How long, O Lord?

By Steve Kieben and Paul Bornstein

In March 1981 we ran a feature on the integrated oils, arguing that they looked undervalued. Fifteen months later we featured potential bargains among oilfield service firms. What happened? Well, oil prices continued to drop, OPEC is struggling to survive and our "bargains" burned anyone who bought them. As a group, energy stocks have dropped 36% since October 1980.

Our only consolation is: If they were cheap then, they are even cheaper now. We've ranked them on the basis of percentage price declines from October 1980. Pay attention to earnings projections, relative cash flow and yield.

Sure, everyone is talking about oil gluts and drilling slowdowns, but look at the numbers. Even if current earnings estimates slide by 25%—something that is likely to happen as analysts recalculate on the basis of today's spot petroleum market—integrated companies like Exxon are still selling at 6 times 1983 earnings. That's half the current market multiple. Consider, too, the safe 9.9% yield, more than you can get these days from any money market fund.

Such comparisons are often less dramatic for independent and oil service firms. But they have other alluring aspects. The producers typically sport impressive cash flow ratios, and the suppliers are often high-tech outfits in disguise. What's to prevent someone from acquiring Petroleum Equipment for its cash or Hughes Tool for its scientific knowhow?

Now look at these companies relative to today's investment alternatives. If OPEC members cheat on their production quotas, oil prices

Integrated oils

Nearly all of these issues are selling at significant discounts from breakup value. Most companies also have modest leverage, competitive yields and below-market multiples based on 1983 earnings estimates.

Company	% change since 10/31/80	Recent price	Price range 1980 to present	Latest 12-month EPS	P/E	1983 EPS est	Relative cash flow*	Book value/ share	Debt/ equity	Breakup value per share	Yield
Murphy Oil	–61%	20⅞	64 –15½	$4.31	4.8	$4.21	1.20	$22.04	42%	$ 36.90	4.8%
Standard Oil Ind	–47	39	99½–33½	6.25	6.2	6.73	0.96	37.58	32	125.15	7.2
Amerada Hess	–46	21⅜	54¾–15⅛	2.00	10.7	3.71	0.90	30.57	61	71.55	5.1
Standard Oil Ohio	–44	38	91½–26½	7.63	5.0	7.50	0.84	49.72	75	139.40	6.8
Phillips Petroleum	–41	30⅞	62⅞–23½	4.23	7.3	4.58	1.06	36.77	20	79.95	7.1
Getty Oil	–40	53⅜	108¼–41¼	8.61	6.2	8.83	1.27	58.10	13	167.45	4.9
Union Oil of Cal	–39	29	56½–21¼	4.63	6.3	4.91	1.20	23.69	26	95.25	3.4
Atlantic Richfield	–38	37¼	74⅜–32¼	6.61	5.6	6.98	0.82	35.89	43	136.95	6.4
Sun Co	–33	31¼	59⅝–26¾	4.49	7.0	5.20	0.92	41.99	47	108.25	7.4
Tesoro Petroleum	–33	15¼	32¼–14	2.34	6.5	3.17	0.61	28.82	3	38.95	2.6
Pennzoil	–31	35¾	62½–23⅜	3.60	9.9	4.28	0.95	22.77	81	61.80	6.2
Mobil	–30	26⅛	44¾–19½	3.31	7.9	4.28	0.90	34.45	25	92.15	7.7
Kerr-McGee	–29	29⅞	46½–22½	4.30	6.9	4.44	0.89	28.98	56	62.60	3.7
Ashland Oil	–23	28⅜	45¼–20½	4.64	6.2	4.18	1.09	36.78	79	28.05	8.4
Gulf Oil	–22	30⅞	54½–24¼	6.03	5.1	5.17	1.14	58.21	17	118.40	9.1
Exxon	–21	30¼	44⅜–24⅞	4.82	6.3	5.01	0.89	32.84	18	82.75	9.9
Shell Oil	–21	35¾	65½–27⅛	5.19	6.9	5.59	0.95	30.02	38	71.55	5.0
Tenneco	–21	33½	58⅜–22⅞	5.74	5.8	6.30	0.69	39.28	100	59.90	8.1
Standard Oil of Cal	–17	34⅞	58¾–23½	4.03	8.7	4.99	1.00	37.13	16	96.40	6.9
Texaco	–16	32¼	54⅜–26	4.92	6.6	5.52	0.83	55.20	20	134.70	9.3
American Petrofina	0	54	71⅞–41½	5.03	10.7	7.00	0.81	50.29	39	83.85	5.9

*An index measuring cash flow after deducting cash needs. Normal among 1,000 companies is 1.00. Higher scores are favorable.

Sources: Wilshire Associates; Standard & Poor's; Institutional Brokers Estimate System (IBES) of Lynch, Jones & Ryan; Nourse Associates; John S. Herold, Inc.

Statistical Spotlight

could indeed tumble even more. But if tensions heat up in the Middle East, prices could rise just as quickly. More significant, energy companies typically have strong balance sheets. Not so for airlines and companies in other cyclical industries that are now Wall Street's darlings.

Finally, consider this: When the mood on Wall Street was at its darkest last spring we interviewed John Mendelson, Morgan Stanley's market timing expert. He was optimistic—wildly and correctly, as things turned out. (FORBES, *Mar. 29, 1982*). Now Mendelson is predicting a major move in energy stocks within three months. It will, he explains, encourage institutions to pour money into what is now an underowned sector for them, fueling the rally even more. "This group," he concludes "could become the bullish surprise of the year." Either that, or we are going to be wrong again. ■

Production and drilling

This group has fallen sharply since October 1980 and now most of these shares are priced close to their book values. Several have a favorable relative cash flow. But watch out for declining earnings estimates.

Company	% change since 10/31/80	Recent price	Price range 1980 to present	Latest 12-month EPS	Latest 12-month P/E	1983 EPS est	Relative cash flow*	Book value/ share	Debt/ equity	Yield
Universal Resources	–77%	5½	32⅞– 5	$0.73	7.5	$0.22	1.12	$10.93	9%	—
Petroleum Equip Tools	–74	5¾	34 – 5¾	1.23	4.7	1.00	3.80	9.91	35	—
Parker Drilling	–73	7⅞	36¾– 7⅛	1.99	4.0	0.62	1.16	10.87	69	2.0%
Unit Drilling & Explo	–72	5	34 – 4¾	1.78	2.8	0.70	NA	8.05	78	—
Sabine	–71	19	73 –13¼	1.54	12.3	1.44	0.86	13.22	44	0.2
Global Marine	–69	7½	36½– 7¼	2.71	2.8	1.98	0.60	12.81	97	3.2
Hamilton Bros Pet	–64	8¾	30⅛– 8¾	0.98	8.9	1.13	1.19	14.21	40	1.1
Helmerich & Payne	–59	16¾	54⅛–13⅝	2.70	6.2	2.18	1.11	12.02	32	1.9
Apache Corp	–56	9⅜	28¼– 7¾	1.20	7.8	1.35	NM	8.67	98	3.0
Ocean Drilling & Explo	–55	19½	54⅞–16	3.71	5.3	3.24	1.13	12.37	18	5.1
Reading & Bates	–55	11¾	39⅞–10	2.36	5.0	2.44	0.83	15.18	81	6.8
Moran Energy	–53	11¾	34⅞– 7⅜	1.09	10.8	1.11	1.10	10.92	67	1.0
Noble Affiliates	–47	13	32⅞– 8⅜	1.58	8.2	1.55	1.33	7.26	36	0.9
Rowan Cos	–47	9¾	23½– 7	2.36	4.1	1.56	1.20	8.24	22	0.8
Wiser Oil	–44	16	33⅛–13¼	1.37	11.7	1.60	1.02	9.29	0	5.5
ENSERCH	–39	19	40 –15¾	2.70	7.0	3.11	0.66	17.05	73	8.4
Atwood Oceanics	–35	21	46¼–16	6.57	3.2	6.14	0.79	17.18	76	—
Woods Petroleum	–35	21½	42⅛–16¾	2.13	10.1	2.44	1.39	8.70	15	2.8
SEDCO	–24	27⅛	49 –23¼	3.86	7.0	5.70	1.83	12.64	62	1.9
Belco Petroleum	4	26	36⅜–17⅛	4.29	6.1	4.60	NM	21.84	11	2.7

*An index measuring cash flow after deducting cash needs. Normal among 1,000 companies is 1.00. Higher scores are favorable.
NA: Not available. NM: Not meaningful.
Sources: Wilshire Associates; Standard & Poor's; Institutional Brokers Estimate System (IBES) of Lynch, Jones & Ryan; Nourse Associates; John S. Herold, Inc.

Equipment and services

With the decline in drilling, business is off for most of these firms. But some analysts expect these stocks to rebound well before the demand for oilfield supplies hits bottom. Thus, they could be good buys.

Company	% change since 10/31/80	Recent price	Price range 1980 to present	Latest 12-month EPS	Latest 12-month P/E	1983 EPS est	Relative cash flow*	Book value/ share	Debt/ equity	Yield
Newpark Resources	–74%	6	33⅛– 4¾	$0.57	10.5	$0.16	0.69	$ 9.72	11%	2.7%
Weatherford Intl	–74	8⅞	38⅞– 8	1.33	6.7	1.13	1.09	11.54	40	4.5
Aztec Mfg	–59	7¾	28⅛– 6¾	1.32	5.9	NA	1.76	5.79	3	5.2
Hughes Tool	–57	16½	48⅝–14⅜	2.65	6.2	1.96	0.86	20.94	36	5.1
Smith Intl	–57	21¼	70¼–18	3.61	5.9	2.51	0.88	27.07	24	4.5
Baker Intl	–56	17⅜	53½–16¾	2.73	6.4	1.76	0.98	14.03	31	5.3
Halliburton	–55	30⅜	86½–21	4.21	7.2	4.29	1.50	26.89	23	5.3
NL Inds	–53	14⅝	48⅝–14¼	2.90	5.0	1.84	0.98	17.51	43	6.8
McDermott Intl	–49	17⅞	46⅝–14¾	2.86	6.3	2.12†	0.67	32.09	36	—
Schlumberger	–47	38½	87⅛–30	4.60	8.4	4.67	1.53	15.46	6	2.5
Tidewater	–47	20¾	54⅜–15½	3.63	5.7	3.45	0.99	19.09	60	4.3
Zapata	–45	14⅞	39⅝–11⅝	4.75	3.1	3.73	1.20	18.31	105	5.6
Petrolane	–35	13⅜	26½–10½	1.54	8.7	1.51	1.24	8.38	40	3.7
Camco	–19	12	22⅜– 8	2.48	4.8	2.45	0.93	8.50	33	2.0

*An index measuring cash flow after deducting cash needs. Normal among 1,000 companies is 1.00. Higher scores are favorable. †Fully diluted.
NA: Not available.
Sources: Wilshire Associates; Standard & Poor's; Institutional Brokers Estimate System (IBES) of Lynch, Jones & Ryan; Nourse Associates; John S. Herold, Inc.

NOTE

ONLY THE FOLLOWING PAGES OF THIS

PUBLICATION HAVE BEEN FILMED

Cover 1, p.4-5, 34, 179-180,

182-184, 188, 190, 192.